

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

South Huron Valley Utility Authority

Financial Report
with Supplemental Information
December 31, 2006

South Huron Valley Utility Authority

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Independent Auditor's Report

To the Board of Commissioners
South Huron Valley Utility Authority

We have audited the accompanying basic financial statements of South Huron Valley Utility Authority as of December 31, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of South Huron Valley Utility Authority as of December 31, 2006 and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Commissioners
South Huron Valley Utility Authority

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Huron Valley Utility Authority's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 9, 2007

South Huron Valley Utility Authority

Management's Discussion and Analysis

Using this Annual Report

South Huron Valley Utility Authority (SHVUA or the "Authority") is a joint venture of the Charter Townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the Village of South Rockwood. The Authority was founded in order to acquire and operate a sewage and wastewater treatment system, formerly operated by Wayne County. The Authority began operations on March 1, 1999. The Authority subcontracts all operations of the system and has no employees. This annual report consists of a series of financial statements, footnotes, and supplemental information. The statement of net assets and the statement of revenue, expenses, and changes in net assets provide information about the financial activities of the Authority. This is followed by the statement of cash flows, which presents detailed information about the changes in the Authority's cash position during the year. The next section includes the notes to the financial statements, which disclose the Authority's significant accounting policies and additional information related to certain amounts included on the statement of net assets. The final component of the annual report is the supplemental information, which is provided for the purpose of additional analysis.

Financial Overview

In analyzing the Authority's financial position, it is important to recognize the mission of the Authority. All debt of the Authority is backed by the full faith and credit of its eight member communities. From a financial perspective, the Authority's core objective is to manage the long-term costs of sewage disposal. In essence, the Authority acts as a conduit for its eight members. The amounts to be charged to its members will, by definition, be equal to the Authority's costs of providing sewage transportation and treatment. The key financial statistics for the Authority, therefore, relate to measurements of the ability to reduce total costs to its members (as opposed to the ability to accumulate financial resources).

South Huron Valley Utility Authority

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table presents condensed information about the Authority's financial position as of December 31, 2006 and 2005:

Assets	2006	2005
Current assets	\$ 987,974	\$ 647,078
Noncurrent assets	<u>108,512,625</u>	<u>110,568,060</u>
Total assets	109,500,599	111,215,138
Liabilities		
Current liabilities	1,214,752	1,059,509
Long-term liabilities	<u>32,865,466</u>	<u>34,838,800</u>
Total liabilities	<u>34,080,218</u>	<u>35,898,309</u>
Net Assets		
Invested in capital assets - Net of related debt	74,461,120	72,481,912
Restricted for capital purposes	327,569	2,387,886
Unrestricted	<u>631,692</u>	<u>447,031</u>
Total net assets	<u>\$ 75,420,381</u>	<u>\$ 75,316,829</u>

Current assets increased by a significant amount due to the Authority having a cash balance (excluding the restricted assets) of \$658,770.

South Huron Valley Utility Authority

Management's Discussion and Analysis (Continued)

The following table presents condensed information about the Authority's revenues and expenses for the years ended December 31, 2006 and 2005:

	2006	2005
Operating Revenue	\$ 3,622,713	3,488,369
Operating Expenses	3,481,319	3,425,208
Operating Income	141,394	63,161
Net Nonoperating Expenses	(37,842)	(144,302)
Change in Net Assets	103,552	(81,141)
Net Assets - Beginning of year	75,316,829	75,397,970
Net Assets - End of year	<u><u>\$ 75,420,381</u></u>	<u><u>\$ 75,316,829</u></u>

The sewage billings from contributing communities increased by 4 percent in 2006. The billings for the Trenton Arm Pump Station and the Odette Pump Station were not increased from the amount charged in 2005.

The total operating expenses for 2006 increased by a modest 1.6 percent. The newly constructed equalization basin was put into operation in August 2006. A new contract was signed with Earth Tech regarding the annual operation and maintenance costs related to the new basin. In addition, the Authority entered into an agreement with CDM Michigan, Inc. in order to provide routine and corrective operation and maintenance of the billing flow meters. This service was previously provided by Earth Tech.

Budgetary Highlights

The amended budget projected a net deficit of \$60,369. The final net profit was \$102,260. The primary reason for the difference was due to the Authority expending only \$106,228 on capital expenditures when the amended budget appropriated \$201,250. In addition, budgeted costs for the operation and maintenance of the new basin and the meter services provided by CDM were \$150,000, while the actual costs were only \$79,515.

South Huron Valley Utility Authority

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The primary capital improvement project during the current year consisted of the continued construction of an equalization basin. The Authority is under a consent order with the Department of Environmental Quality concerning the construction of an equalization basin for the Authority's sewage treatment plant facility. The project cost approximately \$15,000,000, which was financed through bonds and capital contributions from communities. The project consisted of the construction of a six million gallon capacity flow equalization basin. The equalization basin was put into operation in August 2006.

Economic Factors and Next Year's Budgets and Rates

The SHVUA equalization basin discussed above will have a significant impact on the future cost of sewage disposal. Operation and maintenance expenses related to running the new equalization basin have increased by \$182,918 based on the revised Earth Tech contract. An additional annual expense of \$40,130 will be charged to the Authority for increased bio-solid removal fees. These annual fees are adjusted on March 1 of each year by Earth Tech based on the Midwest Urban C.P.I. up to a maximum of 4 percent in any year.

Contacting the Authority's Management

This financial report is intended to provide the Authority's members with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives from the member communities. If you have questions about this report or need additional information, we welcome you to contact the Authority chairperson.

South Huron Valley Utility Authority

Statement of Net Assets December 31, 2006

Assets

Current assets:

Cash (Note 3)	\$ 658,770
Prepaid expenses	209,315
Due from other governmental units - Current portion	<u>119,889</u>

Total current assets 987,974

Noncurrent assets:

Due from other governmental units - Net of current portion	38,333
Restricted assets (Note 3)	1,129,777
Bond issuance costs - Net of accumulated amortization of \$7,733	56,262
Capital assets not being depreciated (Note 4)	898,091
Capital assets being depreciated - Net (Note 4)	<u>106,390,162</u>

Total noncurrent assets 108,512,625

Total assets 109,500,599

Liabilities

Current liabilities:

Accounts payable	506,409
Accounts payable - Lookback adjustment	215,394
Accounts payable - Construction	441,068
Due to other governmental units - Current portion (Note 6)	<u>51,881</u>

Total current liabilities 1,214,752

Long-term liabilities:

Due to other governmental units - Net of current portion (Note 6)	38,333
Long-term debt (Note 5)	<u>32,827,133</u>

Total long-term liabilities 32,865,466

Total liabilities 34,080,218

Net Assets

Invested in capital assets - Net of related debt	74,461,120
Restricted for capital purposes	327,569
Unrestricted	<u>631,692</u>

Total net assets \$ 75,420,381

South Huron Valley Utility Authority

Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2006

Operating Revenue

Sewage billings	\$ 3,581,232
Permit and review fees	41,481
Total operating revenue	3,622,713

Operating Expenses

Contractual - Operation and maintenance	2,856,355
Professional fees	155,069
Insurance expense	212,334
Financial consulting	20,000
Land application fee	17,419
Meter testing	30,771
Maintenance	79,365
Net lookback adjustment	81,002
Permit and review fees	28,412
Miscellaneous expense	592
Total operating expenses	3,481,319

Operating Income	141,394
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Nonoperating Revenue (Expenses)

Debt billings to communities	2,687,806
Community billings for equalization basin construction	415,656
Interest income and other	70,573
Wayne County settlement	(50,000)
Interest expense	(931,668)
Depreciation and amortization	(2,230,209)
Net nonoperating expenses	(37,842)

Net Gain	103,552
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Net Assets - Beginning of year	75,316,829
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Net Assets - End of year	<u>\$ 75,420,381</u>
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South Huron Valley Utility Authority

Statement of Cash Flows Year Ended December 31, 2006

Cash Flows from Operating Activities

Cash received from communities	\$ 3,660,446
Cash payments to suppliers for goods and services	<u>(3,361,392)</u>
Net cash provided by operating activities	299,054

Cash Flows from Capital and Related Financing Activities

Principal and interest paid on long-term debt	(2,866,668)
Proceeds from community billings related to equalization basin construction	415,656
Payments for the acquisition and construction of capital assets	(2,271,217)
Collection of debt billings to communities	<u>2,687,806</u>
Net cash used in capital and related financing activities	(2,034,423)

Cash Flows from Nonoperating Activities - Settlement with Wayne County (50,000)

Cash Flows from Investing Activities - Interest received on investments 70,573

Net Decrease in Cash and Cash Equivalents (1,714,796)

Cash and Cash Equivalents - January 1, 2006 3,503,343

Cash and Cash Equivalents - December 31, 2006 \$ 1,788,547

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 141,394
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:	
Due from other governmental units	37,733
Prepaid expenses	3,018
Accounts payable	<u>116,909</u>
Net cash provided by operating activities	<u><u>\$ 299,054</u></u>

Statement of Net Assets Classification of Cash and Cash Equivalents

Cash and cash equivalents	\$ 658,770
Restricted assets - Capital replacement and improvement (Note 3)	<u>1,129,777</u>
Total	<u><u>\$ 1,788,547</u></u>

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2006

Note 1 - Nature of Entity

The South Huron Valley Utility Authority (the "Authority") is a joint venture of the Charter Townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the Village of South Rockwood. The Authority was founded in order to acquire and operate a sewage and wastewater treatment system formerly operated by Wayne County. The Authority began operations on March 1, 1999. The Authority subcontracts all operations of the system and has no employees.

The Internal Revenue Service has ruled that the Authority is a political subdivision of the State of Michigan and, as a result, is exempt from federal income tax.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity - The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental agencies to be included in the reporting entity. In accordance with these guidelines, there are no component units to be included in these financial statements.

Basis of Accounting - The accrual basis of accounting is used by the Authority. The Authority follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989. The Authority has elected not to follow private sector standards issued after November 30, 1989.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to first apply restricted resources.

Operating Revenue - Operating revenue represents billings to member communities based on the Authority's cash-based operating expenses. Therefore, the Authority has shown depreciation expense as a nonoperating expense for purposes of the statement of revenue, expenses, and changes in net assets.

Capital Assets - Capital assets in the amount of \$78,248,476 were transferred by Wayne County on March 1, 1999. Since the Authority had economic ownership of these assets, they were recorded at net book value. All other capital assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such assets is charged as a nonoperating expense of the Authority.

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

Bond Issuance Costs - The Authority incurred bond issuance costs in association with State Revolving Funds issued in June 2004. Total costs incurred in 2004 were \$63,995. These costs are being amortized using the straight-line method over the life of the bonds.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	60 years
Interceptors	50 years
Machinery and equipment	5-20 years
Equalization basin	50 years
Sewer meters	10 years

Cash Equivalents - For purposes of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Note 3 - Deposits

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2006

Note 3 - Deposits (Continued)

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized the Authority to deposit and invest in all investments allowed by the State statutory authority as listed above. The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's cash is subject to certain risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$1,759,694 of bank deposits (checking and savings accounts and certificates of deposit) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Authority's deposits at December 31, 2006 are included on the statement of net assets under the following classifications:

Recorded as cash	\$ 658,770
Recorded as restricted assets*	<u>1,129,777</u>
Total	<u>\$ 1,788,547</u>

* These deposits are restricted for capital replacement and improvement. Included in this amount is \$327,569 of proceeds received from communities for additional expenses related to the construction of the equalization basin as well as \$800,000 of reserves.

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2006

Note 4 - Capital Assets

Capital assets consist of the following:

	Balance at January 1, 2006	Additions	Transfers	Balance at December 31, 2006
Capital assets not being depreciated:				
Land	\$ 898,091	\$ -	\$ -	\$ 898,091
Construction in progress (Note 9)	12,276,798	2,164,989	(14,441,787)	-
Subtotal	13,174,889	2,164,989	(14,441,787)	898,091
Capital assets being depreciated:				
Buildings	58,628,421	-	-	58,628,421
Interceptors	46,243,019	-	-	46,243,019
Machinery and equipment	846,370	106,228	-	952,598
Equalization basin	-	-	14,441,787	14,441,787
Sewer meters	1,290,687	-	-	1,290,687
Subtotal	107,008,497	106,228	14,441,787	121,556,512
Less accumulated depreciation for:				
Buildings	(5,476,670)	(977,140)	-	(6,453,810)
Interceptors	(6,474,020)	(924,860)	-	(7,398,880)
Machinery and equipment	(482,045)	(99,661)	-	(581,706)
Equalization basin	-	(96,279)	-	(96,279)
Sewer meters	(506,606)	(129,069)	-	(635,675)
Subtotal	(12,939,341)	(2,227,009)	-	(15,166,350)
Net capital assets being depreciated	94,069,156	(2,120,781)	14,441,787	106,390,162
Total capital assets - Net of depreciation	\$ 107,244,045	\$ 44,208	\$ -	\$ 107,288,253

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2006

Note 5 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the Authority as of December 31, 2006:

	January 1, 2006	Reductions	December 31, 2006
State Revolving Fund Bonds #5028-01, dated September 1998, maturing through 2011, in the amount of \$9,680,000. Principal payments are due annually on April 1, with interest at 2.00 percent	\$ 4,780,000	\$ -	\$ 4,780,000
State Revolving Fund Bonds #5161-01, dated September 1998, maturing through 2020, in the amount of \$26,307,133. Principal payments are due annually on October 1, with interest at 2.25 percent	20,762,133	(1,180,000)	19,582,133
State Revolving Fund Bonds #5212-01, dated June 2004, maturing through 2026, in the amount of \$9,220,000. Principal payments are due annually on April 1, with interest at 2.125 percent	9,220,000	(755,000)	8,465,000
Total of long-term debt outstanding	<u>\$ 34,762,133</u>	<u>\$ (1,935,000)</u>	<u>\$ 32,827,133</u>

Debt Service Requirements

The annual principal and interest requirements for the debt outstanding as of December 31, 2006 are as follows:

Years Ending December 31	Principal	Interest	Total
2007	\$ 2,355,000	\$ 513,348	\$ 2,868,348
2008	2,405,000	470,586	2,875,586
2009	2,455,000	426,848	2,881,848
2010	2,510,000	382,248	2,892,248
2011	2,560,000	336,673	2,896,673
2012-2016	9,215,000	1,842,194	11,057,194
2017-2021	8,642,133	770,323	9,412,456
2022-2026	2,685,000	145,084	2,830,084
Total	<u>\$ 32,827,133</u>	<u>\$ 4,887,304</u>	<u>\$ 37,714,437</u>

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2006

Note 5 - Long-term Debt (Continued)

Interest

Total interest incurred for the year ended December 31, 2006 was \$931,668.

Debt Service Agreement

The outstanding debt of the Authority will be funded through direct billings to the community members, rather than through working capital. Therefore, the Authority has classified all outstanding debt service requirements as long-term.

Note 6 - Due from/to Other Governmental Units

The Authority has accounts receivable approximating \$67,000 from one of its member communities for legal fees and lookback charges. The member community is disputing the amount it owes and believes it to be significantly less than \$67,000.

In May 2002, a lawsuit filed by one of the Authority's member communities was settled. The settlement requires the Authority to pay the filing community \$38,333 each year from December 31, 2003 through December 31, 2008. The Authority will collect the funds for this settlement through a separate billing to the member communities based on usage percentages. The related receivable and payable have been recorded at December 31, 2006.

In addition, the flow for one of the member communities was adjusted in 2005. The related receivable and payable in the amount of \$13,547 have been recorded at December 31, 2006.

Note 8 - Risk Management

The Authority is exposed to various risks related to property loss, torts, and errors and omissions. The Authority has purchased commercial insurance for possible claims relating to these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance since inception. The Authority has no employees, and, therefore, does not have exposure to risks related to employee injuries or medical expenses.

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2006

Note 9 - Contingency

The Authority is involved in a claim brought by the DeMarria Building Co., regarding the timing of services provided to the Authority for the equalization basin. The proceedings have not yet progressed to a point where a legal opinion can be reached as to the ultimate liability, if any, that may result from the resolution of this matter and the Authority has not recorded a liability at December 31, 2006.

Other Supplemental Information

South Huron Valley Utility Authority

Other Supplemental Information Statement of Revenue and Expenses Budget and Actual Year Ended December 31, 2006

	Amended Budget 2006	Audited 2006	Difference
Revenue			
Revenue from communities:			
Plant and related costs	\$ 3,422,028	\$ 3,422,028	\$ -
Trenton Arm Pump Station	144,204	144,204	-
Odette Pump Station	15,000	15,000	-
Permit and review fees	57,358	41,481	(15,877)
Interest	26,000	35,699	9,699
Total revenue	3,664,590	3,658,412	(6,178)
Expenses			
Earth Tech	2,695,546	2,692,343	3,203
Earth Tech/CDM - Net contract revisions	150,000	79,515	70,485
Maintenance of equipment	75,000	79,365	(4,365)
Insurance	212,334	212,334	-
Miscellaneous contractual	85,000	84,497	503
Financial consulting	20,000	20,000	-
Professional fees	155,000	155,069	(69)
Depreciation	2,500,000	2,230,209	269,791
Land application fee	17,419	17,419	-
Meter loan interest	(393)	(393)	-
Engineering - Metering and analysis	30,803	30,771	32
NPDES permit fees	13,000	13,000	-
Lawsuit settlement - Wayne County	50,000	50,000	-
Miscellaneous	5,000	592	4,408
Plan reviews	15,000	15,412	(412)
Total expenses	6,023,709	5,680,133	343,576
Net Loss	(2,359,119)	(2,021,721)	337,398
Cash Adjustments			
Depreciation	2,500,000	2,230,209	(269,791)
Capital improvements	(201,250)	(106,228)	95,022
Total funds provided for operations	<u>\$ (60,369)</u>	<u>\$ 102,260</u>	<u>\$ 162,629</u>

South Huron Valley Utility Authority

Note to Other Supplemental Information Year Ended December 31, 2006

Note - Budget and Actual Basis of Accounting

The statement of revenue and expenses - budget and actual is prepared on the accounting method utilized when preparing the budget. This method differs from the full accrual basis of accounting in that it is prepared on a cash flow basis including operational revenues and expenses and excluding the purchase of certain assets and debt payments.

Since the Authority operates as a proprietary fund, a budget is not required by the Uniform Budgeting and Accounting Act. The Authority has presented this information for purposes of additional management analysis only, and the unfavorable budget variances do not represent violations of State law.